

STATE OF MICHIGAN



JOHN ENGLER, Governor

DEPARTMENT OF TREASURY

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STATE TAX COMMISSION

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Bulletin No. 2
April 12, 1993
Millage Requests and
Millage Rollbacks

TO: County Clerks, Treasurers, Equalization Directors, and
Chairpersons of Boards of Commissioners;
Township Clerks, Treasurers, Supervisors, and Assessors;
City Clerks and Assessors;
Village Clerks;
School District Boards of Education;
Intermediate School Districts;
Community College Boards of Trustees;
Authority Governing Bodies

FROM: State Tax Commission

This bulletin is being distributed through the clerks of the counties, townships and cities for their further distribution to the named officials in those governmental units. The cooperation of the clerks is appreciated.

The purpose of this bulletin is to address 1993 millage rollback procedures for MCL 211.34d (Headlee) rollback fractions, Truth in Taxation rollbacks under MCL 211.24e, Truth in Assessment under MCL 211.34, Truth in Equalization under MCL 211.34, and the Counties Only rollbacks based on the convention facilities and cigarette collections.

The following forms are included in this packet:

1. L-4029 with instructions for Headlee rollback millage request report to county board of commissioners.
2. L-4297 Truth in Taxation Notice.
3. L-4034 worksheet to compute rollback fractions.

Note: STC Form L-4029 and instructions have been revised to remove those provisions that were necessary to comply with the 1992 assessment freeze, Act 135 of 1991, which is no longer effective.

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At the time of the printing of this bulletin the procedure for the calculation of the 1993 millage reduction fraction is the same as it was prior to the 1992 assessment freeze. The single year consumer price index for 1992 to 1993 of 1.030 will be used in the calculation of the 1993 MRF. New legislation may change this procedure prior to the tax levy date.

To obtain a complete copy of the General Property Tax Act, being section 211.1 to 211.157 of the Michigan Compiled Laws, send \$5.00 per set to the Local Property Services Division, Treasury Building, Lansing, Michigan 48922. Please make the check payable to the State of Michigan. Refer to account #110-92-206, General property Tax Act. The 1992 General Property Tax Act Revisions, including 1992 Public Acts are available at a cost of \$2.00 per set at the same address.

1993 MILLAGE REDUCTION FORMULA RELATED TO SEC. 211.34d - HEADLEE

The inflation rate for determining the 1993 millage reduction fraction for any local government unit is 1.030. The following data will be used to calculate the 1993 MRF:

$$1993 \text{ MRF} = \frac{(\text{TOTAL } 1992 \text{ S.E.V.} - \text{LOSSES S.E.V.}) \times 1.030}{1993 \text{ S.E.V.} - \text{ADDITIONS S.E.V.}}$$

The compounded MRF used for 1993 to determine the allowable tax levy rate is to be determined by the financial officer of each taxing jurisdiction. The compounded MRF used in 1993 will be equal: to the 1993 MRF; or to the product of the 1992 compounded MRF multiplied by the 1993 MRF; or it may be equal to 1.0000 depending on the source of the tax rate and the date of the election which authorized the rates.

(See Instructions for Form L-4029, Column 7). The compounded MRF shall not exceed 1.0000. The applicable MRF cannot exceed 1.0000 for newly voted levies, debt, or special assessments and cannot exceed the 1993 compounded MRF for other levies subject to rollbacks.

**MILLAGE ROLLBACKS RELATED TO STATE EQUALIZATION,
SEC. 34, TRUTH IN COUNTY EQUALIZATION ROLLBACKS, AND TRUTH IN ASSESSING**

There may be counties, villages, authorities, townships, or cities which will be impacted by the additional rollback requirement of Section 34 of the General Property Tax Act. A copy of that provision and an explanation of its impact has also been included as follows:

Section 34 of the General Property Tax Act, being section 211.34 of the Michigan Compiled Laws provides that: ". . . Each year the county board of commissioners shall advise the local taxing units when the state tax commission increases the equalized value of the county as established by the board of county commissioners and each taxing unit other than a city, township, school district, intermediate school district, or community college district, shall immediately reduce its maximum authorized millage rate, as determined after any reduction caused by section 34d, so that subsequent to the increase ordered by the State Tax Commission pursuant to Act No. 44 of the Public Acts of 1911, as amended, being section 209.1 to 209.8 of the Michigan Compiled Laws, total property taxes levied for that unit shall not exceed that which would have been levied for that unit at its maximum authorized millage rate, as determined after any reduction caused by section 34d, if there had not been an increase in valuation by the state. If its state equalized valuation exceeds its assessed valuation . . . a city or township shall reduce its maximum authorized millage rate, as determined after any reduction caused by section 34d, so that total property taxes levied for that unit do not exceed that which would have been levied based on its assessed valuation."

This required reduction applies only to maximum authorized millage and reduces the "authorized rate" after the application of the compounded millage reduction fraction required by section 211.34d, M.C.L.

In 1993, the increase by the state tax commission to the valuation of any separately equalized classification will require a reduction of the total authorized rate pursuant to Section 211.34, MCL, if applicable. The final allowable levy rate will be multiplied in the 1993 tax roll by the state equalized valuation of each item of property in each classification after accounting for any Truth in Taxation limitation required by section 211.24e, MCL.

TRUTH IN COUNTY EQUALIZATION

The section 211.34 rollback fraction for counties, villages and authorities is calculated by dividing the TOTAL COUNTY EQUALIZED VALUATION FOR ALL CLASSES by the TOTAL STATE EQUALIZED VALUATION FOR ALL CLASSES.

Villages and authorities will require factoring of the assessed valuations to obtain county equalized valuations and state equalized valuations needed to calculate the section 34 rollback factor, equal to the TOTAL CEV/Total SEV for each village and authority affected.

Truth in county equalization does not affect townships, cities, school districts, intermediate school districts or community colleges. Also, authorities located in more than one county are not affected by truth in county equalization.

TRUTH IN ASSESSING REQUIRED FOR ASSESSING UNITS ONLY

The section 211.34 rollback fraction for cities and townships is calculated separately for each township and city. The numerator of the fraction is the total assessed valuation for all classes as approved by the board of review; the denominator is the total state equalized valuation for all classes, i.e., the rollback fraction is calculated by dividing the TOTAL ASSESSED VALUATION FOR ALL CLASSES by the TOTAL STATE EQUALIZED VALUATION FOR ALL CLASSES.

The section 211.34, MCL, truth in assessing rollback applies in 1993 to any township or city if the total S.E.V. exceeds the total assessed valuation by any amount.

SEC. 211.24e, TRUTH IN TAXATION - BASE TAX RATE FORMULA

1993 BASE TAX RATE = 1992 OPERATING LEVY RATE X BASE TAX RATE FRACTION (BTRF)

1992 TOTAL S.E.V. - LOSSES S.E.V.

1993 BTRF =

1993 TOTAL S.E.V. - ADDITIONS S.E.V.

The base tax rate fraction is calculated each year and does not compound.

The same quantities are used for calculating the BTRF as are required for the MRF, the 1992 S.E.V., 1993 S.E.V., LOSSES S.E.V., and ADDITIONS S.E.V. for each separate unit of local government.

The base tax rate is calculated by multiplying the BTRF by the operating tax rate levied in the immediately preceding year.

The section 211.24e, Truth in Taxation provisions are not applicable to a taxing jurisdiction that levied an operating tax of one mill or less in the immediately preceding year.

The procedure for levying an operating tax rate that exceeds the base tax rate is prescribed in section 211.24e, however, a tax rate cannot exceed the maximum allowable rate under any circumstances.

A model "Notice of Public Hearing", form L-4297, is included with this bulletin. It fulfills the requirements of 211.24e for the notice required to be published in the newspaper if a local unit of government intends to levy an operating tax rate greater than the base tax rate.

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Special Note for Counties Only: A county must reduce its base tax rate for Truth in Taxation purposes by a rate produced by dividing its estimated Convention Facilities Tax Revenue by the county's current year's S.E.V. A further reduction in a county's 1993 base tax rate must be made in the same manner for the estimated cigarette tax revenue to be received by the county during the calendar year 1994. An estimate of this revenue and the convention facilities tax revenue will be sent to the counties in late summer of 1993.

Enclosures

1993 TAX RATE REQUEST

MILLAGE REQUEST REPORT TO COUNTY BOARD OF COMMISSIONERS

County	1993 SEV (As of 5-24-93)
Local Government Unit	

ORIGINAL TO: County Clerk(s)
COPY TO: Equalization Department(s)
COPY TO: Each township or city clerk

You must complete this form for each unit of government for which a property tax is levied. Penalty for non-filing is provided under MCL Sec 211.119. The following tax rates have been authorized for levy on the 1993 tax roll.

[illegible]

Prepared by	Title	Date
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As the representatives for the local government unit named above, we certify that these requested tax levy rates have been reduced, if necessary to comply with the state constitution (Article 9, Section 31), and that the requested levy rates have also been reduced, if necessary, to comply with MCL Sections 211.24e and 211.34.

<input type="checkbox"/> Clerk	Signature	Type Name	Date
<input type="checkbox"/> Secretary			
<input type="checkbox"/> Chairperson	Signature	Type Name	Date
<input type="checkbox"/> President			

* Under Truth in Taxation, MCL Section 211.24e, the governing body may decide to levy a rate which will not exceed the maximum authorized rate allowed in column 9. A public hearing and determination is required for an operating levy which is larger than the base tax rate but not larger than the rate in column 9.

**INSTRUCTIONS FOR
1993 TAX RATE REQUEST
Millage Request Report to County Board of Commissioners**

These instructions are provided under MCL Sections 211.24e (truth in taxation), 211.34 (truth in county equalization and truth in assessing), 211.34d (Headlee), and 211.36 and 211.37 (apportionment).

Column 1: Source. Enter the source of each millage. For example, 15 mill allocation, separate millage limitations voted, charter, approved extra-voted millage, public act no., etc.

Column 2: Purpose of millage. Examples are: operating, building and site, debt service, special assessments, etc.

Column 3: Date of Election. Enter the month and year of the election for each millage authorized by direct voter approval.

Column 4: Maximum Millage Authorized. List the allocated rate, charter aggregate rate, extra-voted authorized before 1979, each separate rate authorized by voters after 1978, debt service rate, etc. (This rate is the rate before reduction caused by MCL Section 211.34 if state equalized valuation exceeds county equalized valuation or assessed valuations).

Column 5: 1992 Compounded Millage Reduction Fraction. List the applicable millage reduction fraction from column 7 of your 1992 Tax Rate Request (form L-4029) for each separate millage listed.

Note: These 1992 compounded millage reduction fractions may not be the same for all millages to be levied by a taxing district. Also, voters could have increased one or more of these fractions to a maximum of 1.0000.

Column 6: Current Year Millage Reduction Fraction. List the millage reduction fraction certified by the county treasurer for the current year.

Column 7: Applicable Millage Reduction Fraction. For millage not subject to reduction, enter 1.0000. For millage subject to the reduction fraction from a single year, enter the lower of 1.0000 or the current year millage reduction fraction. For millage subject to the reduction fraction for more than one year, enter the compounded millage reduction fraction for the period since authorization was voted, (See examples on back.)

Column 8: Section 211.34 Millage Reduction Fraction. List the millage reduction fraction for 1993 for each millage which is an operating rate. Use 1.0000 for school districts, for special assessments and for bonded debt retirement levies. For counties, villages and authorities, calculate as TOTAL CEV/TOTAL SEV. For townships and cities, calculate as TOTAL ASSESSED VALUATION/TOTAL STATE EQUALIZED VALUATION. This fraction shall not exceed 1.0000. Use 1.0000 for an authority located in more than one county.

Column 9: Maximum Allowable Millage Levy. Multiply column 4 (maximum millage authorized) by column 7 (applicable millage reduction fraction) and also by column 8 (Section 34 millage reduction fraction). Round the rate to the nearest 0.0001 mill.

Column 10/Column 11: Millage Requested to be Levied. Enter the tax rate approved by the unit of local government provided that the rate does not exceed the maximum allowable millage levy (column 9). A millage rate that exceeds the base tax rate cannot be requested unless the requirements of the hearing, etc., have been met.

Special note for 1992 and future years, per P.A. 38 of 1991: Notwithstanding the other provisions of the subsection, beginning in 1992, millage authorized by the voters after March 31 and before June 1 shall not be subject to a millage reduction until the year following the voter authorization if the ballot question includes a statement that the approved mills will be levied against the final state equalized valuation for that tax year and that the mills will not be subject to the millage reduction required under section 31 of article IX of the state constitution of 1963 for that tax year.(see examples on reverse side for column 7, a, f(1)(3)(6)).

Examples For Column 7

- a. For millage approved by the voters after May 31, 1993, use 1.0000 for the first year. Also use 1.0000 for the first year for millage approved after March 31 and before June 1, 1993 if the ballot question includes the language as stated in MCL 211.34d(9).*
- b. For debt service or special assessments not subject to a millage reduction fraction, enter 1.0000.
- c. For millage authorized by county tax allocation board enter the compounded millage reduction fraction beginning with the 1979 reduction fraction, unless there has been voter approval of an increase in the fraction restoring it to 1.0000, etc.
- d. For a separate millage limitation voted after 1978, enter the compounded millage reduction fraction beginning with the date of voter approval (see (a.) above). Separate millage approved before 1979 is to be reduced in the same manner as millage allocated by the tax allocation board. Revoting of separate millage limitations constitutes approval by the voters as of the date of the most recent election approval.
- e. There is not necessarily a single millage reduction fraction for all millages authorized for a single taxing jurisdiction. For example, in 1993, a school district might have a separate limitation of 9.0 mills subject to the compounded millage reduction fraction for each year from 1979 through 1993. In 1987, it might have voted 10 extra mills reduced by the compounded millage reduction fraction for each year from 1988 through 1993. It might also have voted five extra mills between June 1, 1993 and December 7, 1993 which would have a fraction of 1.0000.
- f. The applicable millage reduction fraction for any millage cannot exceed 1.0000. By statute, the 1979 reduction fraction is limited to 1.0000. Thereafter, the compounded millage reduction fraction cannot exceed 1.0000. The compounded millage reduction fraction for a year is equal to the compounded reduction fraction for the prior year multiplied by the current year millage reduction fraction, but not to exceed 1.0000.
- f(1). After a unit of local government has been subjected to a millage reduction fraction of less than 1.0000, such as .90000, the compounded millage reduction fraction might increase due to a subsequent current year reduction fraction larger than one, such as 1.2000.
- f(2). When this occurs, the compounded millage reduction fraction of $.9000 \times$ the current year millage reduction fraction of $1.200 = 1.0800$. The compounded 1.0800 would become 1.0000 because that is the maximum limit for the compounded fraction. If in the following year, the current year reduction fraction was .9500, the compounded millage reduction fraction would be $1.0000 \times .9500$, and not 1.0260 ($1.0800 \times .9500$). Calculated compounded millage reduction fractions which would exceed 1.0000 cannot be "banked" to offset future reductions.
- f(3). Date of Election to Authorize Millage. A millage authorized by voters after May 31 is not subject to a millage reduction until the year following the authorization. (MCL 211.34d(9)). ***In 1992, and future years, millage voted after March 31 and before June 1 will not be subject to a millage reduction until the following year if the ballot question contains language as stated in MCL 211.34d(9).****
- f(4). Waiver of Constitutional Millage Reductions. Voters may approve the levy in that year of the local government unit's authorized millage without regard to the required millage reduction or to increase that year's compounded millage reduction fraction to 1.0000. (MCL 211.34d(11)).
- f(5). Waiver of Future Constitutional Millage Reductions Prohibited. A unit of local government cannot obtain voter approval to disregard the constitutional reduction for future years, ie. voters cannot approve a waiver in 1993 for 1994 or any other future year. The waiver approval by the voters may be obtained in the same year in which that year's Constitutional Reduction is to be waived.
- f(6). Date of Election for Waiver of Constitutional Millage Reductions. A unit of local government that obtains voter approval after May 31 to levy its authorized millage without regard to the required constitutional millage reduction would not be subject to a rollback in that year. For example, if the voters approved the waiver of the constitutional millage reductions at an election on June 3, 1993, the compound millage reduction fraction for 1993 tax levies would be equal to 1.0000 for each millage rate authorized for that unit of local government. ***In 1992 and future years a local unit of government that obtains voter approval after March 31 and before June 1 to levy its authorized millage without regard to the required constitutional millage reduction would not be subject to the rollback in that year if the ballot contained the language as stated in MCL 211.34d(9).****

1993 MILLAGE REDUCTION FRACTION CALCULATIONS WORKSHEET

INCLUDING MILLAGE REDUCTION FRACTION CALCULATIONS NOT SPECIFICALLY ASSIGNED TO THE COUNTY EQUALIZATION DIRECTOR BY LAW

County	Taxing Jurisdiction
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1992 Total State Equalized Valuation	(SEV)	_____
1993 Total State Equalized Valuation	(SEV)	_____
Losses, State Equalized Valuation	(SEV)	_____
Additions, State Equalized Valuation	(SEV)	_____
1993 Total Assessed Valuation	(AV)	_____
1993 Total County Equalized Valuation	(CEV)	_____

1. Section 211.34d, MCL, "Headlee" (for each unit of local government)

$$\frac{(1992 \text{ Total S.E.V.} - 1993 \text{ Losses S.E.V.}) \times \text{Inflation Rate}^*}{(1993 \text{ Total S.E.V.} - 1993 \text{ Additions S.E.V.})} = \text{1993 Millage Reduction Fraction (Headlee)}$$

2a. Section 211.34, MCL, "Truth in Assessing" (for cities and townships if S.E.V. exceeds A.V. for 1993 only)

$$\frac{1993 \text{ Total Assessed Valuation}}{1993 \text{ Total State Equalized Valuation}} = \text{1993 Rollback Fraction (Truth in Assessing)}$$

2b. Section 211.34, MCL, "Truth in County Equalization" (for villages, counties and authorities if S.E.V. exceeds C.E.V. for 1993 only)

$$\frac{1993 \text{ Total County Equalized Valuation}}{1993 \text{ Total State Equalized Valuation}} = \text{1993 Rollback Fraction (Truth in County Equalization)}$$

3. Section 211.24e, MCL, "Truth in Taxation" (for each taxing jurisdiction that levied more than 1 mill for operating purposes in 1992 only)

$$\frac{(1992 \text{ Total S.E.V.} - 1993 \text{ Losses S.E.V.})}{(1993 \text{ Total S.E.V.} - 1993 \text{ Additions S.E.V.})} = \text{1993 Base Tax Rate Fraction (Truth in Taxation)}$$

NOTE: The truth in taxation BTRF is independent from the cumulative millage reductions provided by sections 211.34d and 211.34. The Base Tax Rate equals the BTRF X 1992 Operating Rate levied.

TRUTH IN TAXATION NOTICE

INSTRUCTIONS TO LOCAL GOVERNMENTS

Section 211.24e MCL as amended by P.A. 75 of 1991 requires that notice of public hearing be published by a local taxing unit which proposes to increase operating tax levies over the maximum amount allowed to be levied without a hearing. Notice may be published alone or included with the notice of public hearing on a unit's budget held pursuant to Section 141.412 MCL. The model notice at right fulfills the requirements under Section 211.24e MCL. It can be completed with all the information provided for, detached from these instructions and provided to the appropriate newspaper for publication.

Other pertinent information can be included in the notice. This sample notice form meets minimum legal requirements.

In addition to publishing requirements, the notice must be posted at the principal office of the taxing unit.

The notice must be published in a newspaper of general circulation in the taxing unit. Publication must occur six or more days before the public hearing.

The proposed additional millage rate must be established by a resolution adopted by the governing body of the taxing unit before it conducts the public hearing.

Not more than ten days after public hearing, a taxing unit may approve the levy of an additional millage rate equal to or less than the proposed additional millage rate that was published and on which a public hearing has been held.

INSTRUCTIONS TO NEWSPAPERS

The following notice is required by Section 211.24e MCL which provides:

1. The body of the notice must be set in 12 point type or larger.
2. The headline "Notice of Public Hearing on Increasing Property Taxes" must be set in 18 point type or larger.
3. The notice cannot be smaller than 8 column inches by 4 horizontal inches.
4. The notice cannot be placed in the portion of the newspaper reserved for legal notices or classified advertising.

Notice of Public Hearing on Increasing Property Taxes

The _____
name of governing body
of the _____
name of taxing unit
will hold a public hearing on a proposed increase
of _____ mills in the operating tax millage rate
rate
to be levied in _____
year
The hearing will be held on _____,
day
_____ at _____
date time a.m. / p.m.
at _____
_____ place - address

The date and location of the meeting to take action on the proposed additional millage will be announced at this public meeting.

If adopted, the proposed additional millage will increase operating revenues from ad valorem property taxes _____ % over such revenues generated by levies permitted without holding a hearing. If the proposed additional millage rate is not approved the operating revenue will increase by _____ % over the preceding year's operating revenue.

The taxing unit publishing this notice, and identified below, has complete authority to establish the number of mills to be levied from within its authorized millage rate.

This notice is published by:

name of taxing unit

address

address

telephone